Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of		
Federal-State Joint Board on Universal Service	**)**	**CC Docket No. 96-45**

WORLDCOM REPLY COMMENTS

WorldCom, Inc. (WorldCom) hereby submits its reply to comments on the Recommended Decision of the Federal-State Joint Board on Universal Service (Joint Board).

The Commission should reject attempts by SBC, Qwest and other parties to significantly broaden the scope of this proceeding. The Qwest decision requires only that the Commission provide a more complete explanation of the non-rural high-cost fund's compliance with the universal service principles of the Act. Nothing in the 10th Circuit's remand requires the Commission to address such far-reaching questions as the level of intrastate access charges, local rate rebalancing, or other issues raised by SBC and Qwest.

In general, the Recommended Decision provides a template for the Commission to respond to the 10th Circuit's concerns. First, the Commission should adopt the Joint Board's proposed definition of "sufficient": "enough support to enable states to achieve reasonable comparability of rates" between urban and rural areas.[1] In particular, the fund would be "sufficient" if it provided enough support such that each state's "net average costs

[1] Recommended Decision at ¶ 15.

are reasonably comparable to the national average cost."[2] As the Joint Board explained, if each state's net average costs were reasonably comparable to the national average cost, the states should then have the resources to ensure that rural and urban rates within their borders are reasonably comparable.[3]

There is no merit to SBC's assertion that the Recommended Decision's definition of "sufficient" is inadequate because if fails to consider other universal service principles such as affordability. As the Recommended Decision explains, the proposed definition focuses on rate comparability because that is the primary objective of the non-rural high-cost fund.[4] An array of other universal service programs, such as the Lifeline program and the Interstate Access Support program, help to ensure that telephone service remains "affordable." The Joint Board did not address the interaction between those programs and the non-rural high-cost program because the Commission expressly reserved that issue. And, in any event, SBC has provided no evidence that the non-rural program, working in conjunction with state programs and other federal programs (including Lifeline), fails to achieve affordable rates. As numerous commenters point out, subscribership is at an all-time high.[5]

Similarly, attacks on the Joint Board's explanation of the 135 percent benchmark level are meritless. Given that the benchmark must take into account the burden placed on below-benchmark states, it is fully consistent with statutory principles to limit support to those states whose costs diverge appreciably from the national average. The Joint Board's calculation of the standard deviation of cost data, together with the cluster analysis, provides

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[2] Id.
[3] Id.
[4] Id.

a reasoned basis for identifying such states. Contrary to Qwest's claim, it is irrelevant that the cost data is not normally distributed, particularly since the 135 percent threshold actually provides support to more states than would be expected if the cost data were normally distributed.

The Commission should not adopt the Recommended Decision's safe harbor-based certification requirement. One significant problem with the safe harbor approach is the acknowledged difficulties associated with comparing rates among states. Given those difficulties, (1) a simple "national average" of published urban rates is not a meaningful figure; and (2) a comparison of a given state's rural rate to that flawed "national average" rate would not provide meaningful information.

Moreover, the safe harbor approach is unnecessary. In this proceeding, no party has presented evidence that any state has rural and urban rates that are not reasonably comparable. Thus, at this time, it is should be sufficient for each state to simply certify that its rates are reasonably comparable and, as part of that certification, provide the Commission with data concerning the rates and rate structure (including the geographic scope of rate zones, if any) of non-rural carriers in that state. Given that the concerns expressed by commenters focus on possible changes in rate levels that may occur in the future,[6] the Commission could then, at regular intervals, seek public comment on whether the rate information submitted by the states as part of their annual certifications indicates an emerging divergence of rural and urban rates that may be inconsistent with section 254(b).

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[5] See, e.g., AT&T Comments at 11.

[6] See, e.g., Qwest Comments at 7 ("Even if the funding mechanism were sufficient to produce reasonably comparable rates now, . . . it must also preserve reasonable comparability over the long term, as competition erodes the sources of exisitng subsidies.")

Under no circumstances should the Commission adopt the ill-defined supplemental funding program proposed by the Joint Board.[7] First, the supplemental program is unnecessary. The Recommended Decision itself finds that the non-rural high-cost program should provide high-cost states with enough resources to "ensure that rural and urban rates within their borders are reasonably comparable."[8] The Joint Board has not articulated any scenario under which a high-cost state receiving support from the non-rural high-cost fund could not ensure reasonably comparable rates, and thus has failed to demonstrate the need for a supplemental rate-based mechanism.

Furthermore, as AT&T points out, the supplemental program is not "predictable," and is therefore at odds with the Act's universal service principles.[9] Not only is the rate-based benchmark that might trigger a state's request inherently flawed, as discussed above, but the Recommended Decision would permit even those states with rates below the benchmark to seek supplemental support.[10] And the Recommended Decision does not define the principles or standards by which such requests would be evaluated; indeed, the Recommended Decision would give the states "great flexibility in making their presentations."[11]

[7] Recommended Decision at ¶ 55.
[8] Recommended Decision at ¶ 15.
[9] AT&T Comments at 17.
[10] Recommended Decision at ¶ 55(c).
[11] Recommended Decision at ¶ 56.

Respectfully submitted,
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